

Message Text

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64

ACTION EUR-25

INFO OCT-01 IO-13 ADP-00 AID-20 EB-11 NSC-10 RSC-01

CIEP-02 TRSE-00 SS-15 STR-08 OMB-01 CEA-02 CIAE-00

COME-00 FRB-02 INR-10 NSAE-00 XMB-07 OPIC-12 LAB-06

SIL-01 SCEM-02 INT-08 AEC-11 PA-03 PRS-01 USIA-12

RSR-01 /185 W

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R 131733Z JUL 73

FM AMEMBASSY BONN

TO SECSTATE WASHDC 6277

INFO AMEMBASSY BELGRADE

AMEMBASSY BUCHAREST

AMCONSUL ZAGREB

USMISSION EC BRUSSELS

USMISSION OECD PARIS

USMISSION GENEVA

C O N F I D E N T I A L BONN 10033

E.O. 11652: GDS

TAGS: EFIN, ETRD, GW

SUBJECT: FRG INTEREST RATE SUBSIDY

REF: A. BONN 9694; B. BELGRADE 3065

OUR REPORT IN REFTEL A THAT FRG, IN IMPENDING REVIEW
OF ITS POLICY ON SUBSIDIZED INTEREST RATES,
COULD POSSIBLY EXTEND SUCH RATES FOR ENERGY AND RAW
MATERIALS PROJECTS, REFERRED TO SUCH PROJECTS WHICH
WOULD ENHANCE THE FRG'S SUPPLY OF ENERGY AND RAW
MATERIALS SUPPLY. WHILE CONCESSIONAL INTEREST RATES
APPLIED IN SUCH INSTANCES WOULD THUS PRESUMABLY NOT
INCLUDE POWER PROJECTS SUCH AS THE KRSKO NUCLEAR POWER
PLANT ON WHICH GERMAN FIRMS WERE COMPETING WITH OTHER
BIDDERS, WE COULD NOT RULE OUT ENTIRELY POSSIBILITY

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THAT FRG MIGHT FIND SOME JUSTIFICATION FOR EXTENDING
SUCH RATES, ALTHOUGH IT TOUTS ITS ALLEGED POLICY OF

BASIC OPPOSITION TO SUBSIDIZED INTEREST RATES IN TRADE
WITH COUNTRIES OTHER THAN LDC'S. AS INDICATED
IN REF A, THE FRG IS CURRENTLY NOT INCLINED TO TREAT
EASTERN EUROPEAN COUNTRIES AS LDC'S FOR INTEREST RATE
PURPOSES. IN CASE OF YUGOSLAVIA, HOWEVER, THE ELEMENT
OF FRG "HIDDEN REPARATION PAYMENTS" MIGHT BE ONE
ELEMENT AMONG THE CONSIDERATIONS THAT WOULD ENTER INTO
THE EQUATION. ANOTHER MIGHT BE THE FRG'S EXPRESSED
CONCERN OVER THE EXIMBANK'S SIX PERCENT RATE AND THE
COMPETITIVE REQUIREMENT OF GERMAN FIRMS TO MATCH IT. AS
ADDRESSEES ARE AWARE, THE FRG HAS FOR SOME TIME NOW BEEN
ON "WARPATH" AGAINST EXIMBANK'S SIX PERCENT RATE, WHICH
IT REGARDS, UNDER CURRENT WORLDWIDE MONEY MARKET
CONDITIONS, AS AN UNWARRANTED SUBSIDY RATE WHEN IT IS
EXTENDED TO RECIPIENTS IN COUNTRIES WHICH COULD NOT BE
CLASSED AS LDC'S.

HILLENBRAND

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